

STATE OF TENNESSEE

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February 22, 1999

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OFFICE OF THE
EXECUTIVE SECRETARY

Chattanooga Gas Company
c/o William L. Taylor, Jr.
Spears, Moore, Rebman & Williams
Attorneys at Law
P.O. Box 1749
Chattanooga, TN 37401-1749

Re: Docket 96-01174 Discovery Requests

Dear Mr. Taylor:

In Docket 96-01174 Chattanooga Gas Company (CGC) recently requested the Authority to make the main and service extension experimental rule permanent. The first two Discovery Request items that follow were requested on December 22, 1998 and partially responded to by CGC on January 11, 1999 and on January 29, 1999.

1. Please identify the components of the "system wide average costs" and "annual meter reading and billing costs" in 1996, 1997 and 1998 including 1) direct labor; 2) direct materials; 3) costs allocated from affiliates; and 4) other categories (identify). Identify the components of the costs allocated from affiliates as 1) Atlanta Gas Light; 2) Atlanta Gas Light Resources; 3) Infrastructure and 4) other. Provide all supporting documents and explain how these components were derived.
2. Please identify the amount of free main extensions and service lines that would be available to a residential consumer based on the 1996 factors, 1997 factors and 1998 factors assuming a consumer has a 1500 square foot home with gas heat and water heating. Show all calculations and assumptions used.

In item 1 we requested "all supporting documents and explain how these components were derived." We received a fax on January 29, 1999 that provided some supporting documents.

Please provide all remaining documents to support or explain the calculations and assumptions used in items 1 and 2.

Besides completing the responses to Discovery Request Items 1 and 2, we are making the following additional requests:

3. Please provide all documentation that would facilitate the analysis of the extent to which consumers have been impacted by the change in allowances for construction on April 1, 1998. For example:
 - A. How many inquiries were made by residential and commercial consumers requesting information concerning potential service or main extensions by month for the year before April 1, 1998 and for all available months for the year ending April 1, 1999?
 - B. How many residential and commercial consumers requested service or main extensions by month for the year before April 1, 1998 and for all available months for the year ending April 1, 1999?
 - C. For each customer requesting service or main extensions by month for the year before April 1, 1998 and for all available months for the year ending April 1, 1999, how much did each customer pay for the main and service extension?
 - D. For each customer requesting service or main extensions by month for the year before April 1, 1998 and for all available months for the year ending April 1, 1999, how many of these customers decided not to obtain service after they were told how much the service would cost?
4. CGC's response to Item 1 of our December 22, 1998 Discovery Request (Item 1 above), stated that "the shared service allocation is responsible for the 97% increase in annual meter reading and billing costs from 1997 to 1998".
 - A. How much of an impact did this 97% cost increase have on the amount of free main extensions and service lines that would be available to a residential consumer based on the 1997 factors and 1998 factors assuming a consumer has a 1500 square foot home with gas heat and water heating. Show all calculations and assumptions used.
 - B. Since the Authority's order of October 7, 1998 in docket 97-00982 disallowed 28.6% of the "Corporate Allocated Expenses," please provide corrected factors for 1998 based on the "Corporate Allocated Expenses" allowed by the Authority. (Order page 41 allowed 3.73 million out of \$5.227 requested by CGC on page 39, so the Authority disallowed 28.6% of the Corporate Expenses.) Show all calculations and assumptions used.
5. Please provide several quotes of how much private contractors would charge to install 48 feet of 5/8" plastic service line and 48 feet of 2" plastic main in Chattanooga.
6. Please provide several quotes of how much private contractors would charge to install 92 feet of 5/8" plastic service line and 92 feet of 2" plastic main in Chattanooga.
7. Please provide several quotes of how much private contractors would charge to install 125 feet of 5/8" plastic service line and 60 feet of 2" plastic main in Chattanooga.

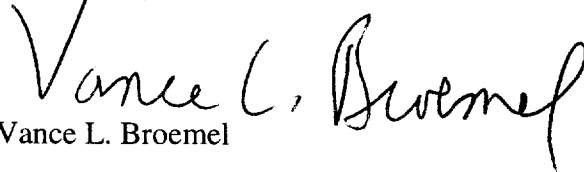
8. Before this experimental rule, CGC allowed customers 60 feet of service lines and 125 feet of mains without charge. Based on the factors filed in response to Item 2 above, the cost of installing 125 feet of mains (2" or smaller) and 60 feet of service lines (1.25" or smaller) would be as follows:

	Cost per foot	Feet	Total cost
1996			
Mains	\$7.89	125	\$986.25
Service lines	4.97	60	<u>298.20</u>
Total			1,284.45
1997			
Mains	8.08	125	1,010.00
Service lines	7.93	60	<u>475.80</u>
Total			1485.80
1998			
Mains	12.68	125	1,585.00
Service lines	9.40	60	<u>564.00</u>
Total			\$2,149.00
Increase from 1996 to 1998			67%

Please provide a table similar to this one after adjusting the "costs" to remove the disallowed "Corporate Allocated Expenses" discussed in item 4B above.

Responses to these Discovery Request items are due by noon on March 1, 1999.

Respectfully Submitted,


Vance L. Broemel

cc: K. David Waddell, Executive Director, Tennessee Regulatory Authority